

**ELMIRA-WARNER FIRE AUTHORITY
TOWNSHIPS OF ELMIRA AND WARNER
OTSEGO AND ANTRIM COUNTIES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Elmira-Warner Fire Authority

President	Carl Essenmacher
Vice President	Lori Herman
Secretary	Diane Frankowiak
Treasurer	Matt Dobrzezewski
Member at Large	Brian Skop

Elmira-Warner Fire Authority

Table of Contents

	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements	
Governmental Fund Balance Sheet – Statement of Net Assets	5
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance – Statement of Activities	6
Notes to Financial Statements	7 - 13
Required Supplemental Information	
Budgetary Comparison Schedule – Fire Fund	14



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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

November 11, 2008

Members of the Board
Elmira-Warner Fire Authority

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Elmira-Warner Fire Authority as of and for the year ended December 31, 2007, which collectively comprise the Fire Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Fire Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Elmira/Warner Fire Authority as of December 31, 2007, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 – 4 and budgetary comparison information on page 14, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander LLP

Keskin, Cook, Miller & Alexander, LLP

ELMIRA/WARNER FIRE AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED DECEMBER 31, 2007

This section of the Elmira/Warner Fire Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2007.

Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The Authority is organized as a joint venture, formed by Elmira and Warner Townships for the purpose of providing fire and rescue services to the citizens of the two Townships in the most efficient and effective manner.

The financial status of the Authority improved over the twelve months ended December 31, 2006. For the year ended December 31, 2007, revenues exceed expenses by approximately \$46,600.

Assets at December 31, 2007 totaled \$246,961, of which \$60,621 represents capital assets net of depreciation.

Liabilities at December 31, 2007 totaled \$2,630 compared to \$8,308 December 31, 2005.

Revenues derived from governmental activities were approximately \$88,600 (\$87,400 from program revenues and \$1,200 from general revenues). Overall expenses for the Authority's governmental activities approximated \$42,000.

The Authority incurred no new debt instruments during the year. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority.

The government-wide financial statements provide both long and short-term information about our overall financial status. The fund financial statements provide financial information using the current measurement focus. The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities, both short-term and long-term in nature. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Authority, you may also have to consider additional factors such as tax base changes, facility and equipment conditions, and personnel changes.

All of the activities of the Authority are reported as governmental activities; the Authority engages in only one type of activity – fire rescue services.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds, not the Authority as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Authority's board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Authority has the following type of fund:

Fire and Rescue Fund: All of the Authority's activities are included in this governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Authority's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net Assets: The Authority's overall net assets increased approximately \$38,328 during the year to total \$208,633. The increase was due largely to the decrease of expenditures since the Authority did not purchase capital assets in the year ended December 31, 2007.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

Fire and Rescue Fund – In the only fund, revenues exceed expenditures by \$46,600 for the year ended December 31, 2007. This excess was largely due to the decrease of expenditures since the Authority did not purchase capital assets in the year ended December 31, 2007.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

There were no additions to Authority's assets for this year.

Long Term Debt:

The Authority has no outstanding long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Fire Authority is committed to providing fire and rescue services to the residents and visitors to Elmira and Warner Townships. At this point in time, we have no formalized plans for significant operating changes or capital asset purchases.

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact Mr. Carl Essenmacher, Board President, at P.O. Box 7, Elmira, MI 49730.



Mr. Carl Essenmacher, President
Elmira/Warner Fire Authority

ELMIRA-WARNER FIRE AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
Assets			
Cash	\$ 108,464	\$ -	\$ 108,464
Property tax receivable	80,163	-	80,163
Accounts receivable	343	-	343
Capital assets, net	-	60,621	60,621
	<hr/>	<hr/>	<hr/>
Total assets	\$ 188,970	\$ 60,621	\$ 249,591
	<hr/> <hr/>		<hr/> <hr/>
Liabilities			
Accrued liabilities	\$ 2,630	-	\$ 2,630
	<hr/>		<hr/>
Total liabilities	2,630	-	2,630
	<hr/>		<hr/>
Fund Balance			
Unreserved and undesignated	186,340	(186,340)	
	<hr/>	<hr/>	
Total liabilities and fund balance	\$ 188,970		
	<hr/> <hr/>		
Net Assets			
Invested in capital assets		60,621	60,621
Unrestricted		186,340	186,340
		<hr/>	<hr/>
Total net assets		\$ 246,961	\$ 246,961
		<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

ELMIRA-WARNER FIRE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenue:			
Property tax revenue	\$ 87,479	\$ -	\$ 87,479
Refunds and reimbursements	852	-	852
Other	336	-	336
	<hr/>	<hr/>	<hr/>
Total revenues	88,667	-	88,667
Expenditures:			
Wages	12,975	-	12,975
Board and office wages	6,252	-	6,252
Fringe benefits	1,471	-	1,471
Office supplies	1,319	-	1,319
Operating supplies	697	-	697
Fuel	1,103	-	1,103
Equipment maintenance	1,301	-	1,301
Professional services	1,659	-	1,659
Telephone	582	-	582
Education and training	489	-	489
Utilities	3,739	-	3,739
Insurance	10,331	-	10,331
Miscellaneous	146	-	146
Depreciation expense	-	8,275	8,275
	<hr/>	<hr/>	<hr/>
Total expenditures	42,064	8,275	50,339
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	46,603	(8,275)	38,328
Fund Balance / Net Assets:			
January 1, 2007	139,737	-	208,633
	<hr/>	<hr/>	<hr/>
December 31, 2007	\$ 186,340	\$ (8,275)	\$ 246,961
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

NOTE 1: ENTITY

The Elmira/Warner Fire Authority is a joint venture created in October 2002 by Elmira and Warner Townships (of Otsego and Antrim Counties, respectively). The Fire Authority is organized under Act 57 of the Public Acts of 1988, as amended. The Fire Authority was organized as the most desirable and economic method of furnishing fire/rescue services in the Townships.

Transfer of assets

Upon creation, all assets and rights of the previous combined Township fire/rescue department, including all real and personal property currently used in connection with the existing fire/rescue department, were transferred to the Authority.

Withdrawal / Dissolution

Upon dissolution, debts of the Authority shall be paid and the net assets shall be divided between the Townships on a pro rata basis based on the total taxable value of each Township. If the Authority's assets are insufficient to pay all of the Authority's debts, then each Township shall remain liable on a pro rata basis based on the total taxable value of each Township for a proportion of the debts and liabilities the Authority incurred while the Township was a part of the Authority.

Funding

Funding for the Fire Authority's operations is provided by an assessment to each Township on the taxable value of the geographical area covered. The Fire Authority's boundaries include all of Elmira and Warner Townships.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Fire Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures, of the Fire Authority's financial activities.

The accounting policies of the Fire Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Fire Authority as a whole.

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for the Fire Authority's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPE AND MAJOR FUND

Governmental Fund

The Fire Authority reports the following major governmental fund:

Fire Fund - This fund is used to account for all financial transactions of the Fire Authority. The Fire Authority's primary source of revenue is from Township assessments "earmarked" for fire protection. Interest is earned on cash investments. Other revenues are from miscellaneous activities / sources.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Fire Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Fire Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Fire Authority's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax contributions are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

collectible within the current period or soon enough thereafter to pay current liabilities. The Fire Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year or available in the hands of an agent. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property tax contributions and investment income. In general, other revenues are recognized when cash is received.

BUDGET

An annual budget is required of the Fire Authority. The budget is open to the public for their consideration before final adoption. The Townships also individually review and approve the budget. Upon completion of the public hearing, The budget was adopted on a fund level using the modified accrual basis of accounting. The budget was amended as necessary throughout the year. Both the original and amended budgets are presented in these financial statements, as a part of required supplementary information. The Budget is adopted prior to January 1st of each year. There are no carryover budget items.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Fire Authority experienced no significant over expenditures during the fiscal year.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Fire Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Fire Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Fire Authority has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Fire Authority generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur, if:

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or
4. significantly changes the character of the asset, or
5. otherwise, the cost should be expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Machinery and equipment	10 – 15
Rescue vehicles	25 – 30

For information describing capital assets, see Note 6.

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's Fire Fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. The difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance. The following reconciliation of fund balance to net assets and the changes in fund balance to the net change in net assets are as shown:

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Total Fund Balance - Modified Accrual Basis	\$ 186,340
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Amounts reported for in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>60,621</u>
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Total Net Assets - Full Accrual Basis	<u>\$ 246,961</u>
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Net Change in Fund Balance - Modified Accrual Basis	\$ 46,603
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities these costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeds capital outlays in the current period	<u>(8,275)</u>
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Change in Net Assets - Full Accrual Basis	<u>\$ 38,328</u>
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NOTE 4: CASH

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States of any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007

NOTE 4: CASH (CONTINUED)

The Board has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized the Fire Authority to invest in all of the State statutory investments as listed above. The deposits and investment policies are in accordance with statutory authority.

The Fire Authority had no investments during the year ended December 31, 2007.

The bank balance of the Fire Authority's deposits is \$108,596, of which \$8,596 is not covered by federal depository insurance.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity of the Fire Authority's governmental activities was as follows:

Governmental Activities:	Balance Beginning of Year	Additions	Disposals	Balance End of Year
Capital assets being depreciated:				
Fire equipment	\$ 70,797	\$ -	\$ -	\$ 70,797
Fire vehicles	104,783	-	-	104,783
Office equipment	1,086	-	-	1,086
Subtotal	176,666	-	-	176,666
Accumulated depreciation:				
Fire equipment	22,908	6,267	-	29,175
Fire vehicles	84,591	1,791	-	86,382
Office equipment	271	217	-	488
Subtotal	107,770	8,275	-	116,045
Net capital assets	<u>\$ 68,896</u>	<u>\$ (8,275)</u>	<u>\$ -</u>	<u>\$ 60,621</u>

NOTE 6: INSURANCE COVERAGES

The Fire Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Fire Authority pays annual premiums for the respective insurance coverage. There were no significant changes in coverage, nor were there any significant claims for the year.

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

NOTE 7: LEASE

The Fire Authority leases the fire hall from Elmira Township. The lease requires normal maintenance of the facility and payment of all repairs and utilities. Annual cost of the lease is equal to \$1.

ELMIRA/WARNER FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Revenues				
Property tax revenue	\$ 83,000	\$ 83,000	\$ 87,479	\$ 4,479
Refunds and Reimbursements	-	-	852	852
Other revenue	-	-	336	336
Total revenues	83,000	83,000	88,667	5,667
Expenditures				
Wages	20,000	20,000	12,975	7,025
Board and office wages	6,120	6,120	6,252	(132)
Fringe benefits	2,000	2,000	1,471	529
Office supplies	1,500	1,500	1,319	181
Operating supplies	3,000	3,000	697	2,303
Fuel	2,000	2,000	1,103	897
Repairs and maintenance	8,000	8,000	1,301	6,699
Professional services	1,500	1,500	1,659	(159)
Telephone	700	700	582	118
Education and training	4,000	4,000	489	3,511
Utilities	4,500	4,500	3,739	761
Insurance	12,000	12,000	10,331	1,669
Miscellaneous	1,000	1,000	146	854
Total expenditures	66,320	66,320	42,064	24,256
Excess of revenues over expenditures	16,680	16,680	46,603	29,923
Fund Balance - January 1, 2007	139,737	139,737	139,737	-
Fund Balance - December 31, 2007	\$ 156,417	\$ 156,417	\$ 186,340	\$ 29,923



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Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

November 11, 2008

To the Members of the Board
Elmira/Warner Fire Authority

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Elmira/Warner Fire Authority (the Fire Authority) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Fire Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Fire Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fire Authority's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Fire Authority's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Fire Authority has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Fire Authority has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Fire Authority has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Fire Authority's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskine, Cook, Miller & Alexander LLP

Keskine, Cook, Miller & Alexander LLP



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 11, 2008

To the Members of the Board
Elmira/Warner Fire Authority

We have audited the financial statements of the governmental activities and the major fund of the Elmira-Warner Fire Authority (the Fire Authority) for the year ended December 31, 2007, and have issued our report thereon dated November 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on March 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fire Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA

Terry J. Distel, CPA (Ret.)
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The disclosure of the Fire Authority's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fire Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Fire Authority's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Fire Authority has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Fire Authority has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Fire Authority has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

Comments and Recommendations

Authorized Check Signers

During our audit, we noted that the authorized check signers on the Fire Authority's checking account are the president, vice-president, treasurer, and administrative assistant. Checks require the signatures of two of the above four individuals. Currently, the administrative assistant writes all checks out of QuickBooks. In addition, the administrative assistant is married to the treasurer. As a result, the administrative assistant has the ability to issue and authorize checks through use of her own signature, and the signature of her husband.

To maintain adequate internal controls over cash, the individual who has the ability to issue / record checks should not have the ability to authorize those checks. We recommend that you review your current cash disbursement procedures, and modify them as necessary to separate the functions of issuing / recording and authorizing all cash disbursements.

Bills and Check Dates

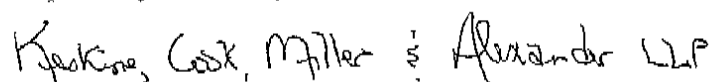
During our audit procedures, we noted that certain accounts payable and payroll checks written in January 2008 were recorded with a date of December 31, 2007. As a result, payroll for the first quarter of 2008 was recorded in December of 2007 and the checks for the accounts payable invoices paid were recorded in the incorrect month and year, thereby causing the December 31, 2007 cash account balance to be misreported. Although the amount of this understatement was immaterial to the Financial Statements as a whole, future amounts may be larger and require additional audit adjustments.

We recommend that the invoice date be entered into QuickBooks payables and to always use the date the check is being written when paying invoices or running payroll, which will allow the software to correctly calculate accounts payable balances, cash accounts and accurately accumulated expenses and payroll in the correct period.

Conclusion

This communication is intended solely for the information and use of management, the Elmira-Warner Fire Authority's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Keskin, Cook, Miller & Alexander LLP